

Message Text

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ACTION AID-05

INFO OCT-01 NEA-06 ISO-00 IGA-01 EB-07 SP-02 OMB-01 AGR-05

L-02 COME-00 TRSE-00 IO-10 SR-02 ORM-01 RSC-01 AS-01

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 1997

INFO AMEMBASSY AMMAN

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FOR ASSISTANT SECRETARY BUFFUM AND USAID FROM AMBASSADOR

EO 11652: N/A

TAGS: EAID, SREF, UNRWA, US, JO

SUBJECT: RESOLUTION OF "NOONDAY" FLOUR QUESTION

REF: AMMAN 7586

1. MY COMMENTS ON REFTEL FOLLOW.

2. THERE IS VOLUMINOUS FILE IN DEPT, USAID AND DEPT OF AGRICULTURE ON THIS MATTER. BY WAY OF BRIEF SUMMARY, USG CEASED AT END FY 74, AFTER MANY YEARS, TO MAKE CONTRIBUTIONS IN KIND TO UNRWA, AND IT INTENDS IN FUTURE MAKE ONLY CASH CONTRIBUTIONS. THERE REMAINS, HOWEVER, UNRESOLVED QUESTION FROM PERIOD IN WHICH USG CONTRIBUTED IN KIND--QUESTION OF APPROX. 3,200 TONS FLOUR SHIPPED TO UNRWA ON OCT 1972 RPT 1972 ON BOARD SS "NOONDAY". ON ARRIVAL AT AQABA PORT IN JORDAN, THIS CONSIGNMENT WAS FOUND TO BE HEAVILY INFESTED WITH WEEVILS TO SUCH DEGREE THAT GOJ REFUSED PERMIT ENTRY OF FLOUR INTO COUNTRY. DESPITE ALL POSSIBLE EFFORTS BY EMBASSY AMMAN AND UNRWA TO CONVINCE GOJ THAT FLOUR COULD BE RENDERED ENTIRELY FIT FOR HUMAN CONSUMPTION, GOJ (HAVING TAKEN POSITION ON MATTER) WAS UNWILLING TO AGREE. AFTER HAVING

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BEEN STORED AT AQABA FOR MANY MONTHS, FLOUR WAS SOLD TO HIGHEST

BIDDER FOR RE-EXPORT FROM JORDAN FOR \$67,995. UNRWA STILL HOLDING THIS AMOUNT, MINUS \$11,280 DUE UNRWA FOR INSURANCE AND HANDLING COSTS, FOR DISPOSITION OF USG.

3. UNRWA HAS REPEATEDLY REQUESTED THAT USG REPLACE FLOUR. ALTHOUGH, BY AGREEMENT BETWEEN UNRWA AND USG, UNRWA PROVIDED ITS OWN MARINE RISKS INSURANCE, IT CARRIED NO INSURANCE AGAINST RISK OF WEEVIL DAMAGE SINCE LATTER HARDLY SEEMS TO QUALIFY AS MARINE RISK AND, IN ANY EVENT, INSURANCE WOULD HAVE BEEN VERY RESTRICTED IN ITS APPLICABILITY. MOREOVER, ALTHOUGH TITLE TO FLOUR EFFECTIVELY PASSED TO UNRWA UPONLOADING IN US, VESSEL IN WHICH SHIPMENT EFFECTED WAS SELECTED AND INSPECTED BY USG AND FREIGHT PAID BY USG. ALTHOUGH MORE THAN TWO YEARS HAVE NOW PASSED SINCE "NOONDAY" ARRIVED AQABA AND, DESPITE BEST EFFORTS OFFICERS IN DEPT AND THIS EMBASSY TO RESOLVE MATTER, NO FAVORABLE RESPONSE HAS BEEN GIVEN UNRWA'S REQUEST FOR REPLACEMENT AND QUESTION DRAGS ON. OFFICES CONCERNED IN USAID AND AGRICULTURE HAVE APPARENTLY TAKEN VIEW THAT UNRWA MUST BEAR LOSS ON BASIS THEIR LEGAL INTERPRETATION OF RELEVANT AGREEMENT BETWEEN UNRWA AND USG. UNRWA STRONGLY CHALLENGES THIS INTERPRETATION. IN THIS CONNECTION, UNRWA HEADQUARTERS HERE DOES NOT RPT NOT SHARE VIEW EXPRESSED PARA 1 AMMAN 7586 REGARDING SHARING OF RESPONSIBILITY.

4. RECOMMENDATION: HAVING BEEN ACQUAINTED WITH DURATION THIS ISSUE AND CONSIDERABLE EFFORTS EXPENDED BY THIS EMBASSY AND OTHERS TO RESOLVE IT, I BELIEVE TIME HAS COME TO MAKE FINAL DECISION. LOSS OF "NOONDAY" FLOUR TO UNRWA REPRESENTS (AT CURRENT PRICES) APPROX. \$1,000,000 FOR EUROPEAN FLOUR NORMALLY USED AND PROBABLY ABOUT \$1,100,000 FOR US FLOUR. IN VIEW OF PERILOUS FINANCIAL POSITION OF AGENCY, THESE SUMS PARTICULARLY IMPORTANT. I RECOMMEND, THEREFORE, THAT USG GIVE IMMEDIATE AND HIGH-LEVEL ATTENTION TO THIS QUESTION AND THAT, IF AT ALL POSSIBLE, DECISION BE MADE FAVORABLE TO UNRWA. IT DOES NOT SEEM TO ME THAT USAID'S LEGAL CASE IS CONCLUSIVE AND, GIVEN OTHER CONSIDERATIONS, I WOULD URGE THAT USG FIND MEANS OF MAKING GOOD LOSS OF "NOONDAY" FLOUR IN KIND OR, IF THIS NOT POSSIBLE, IN COMPARABLE FUNDS.

GODLEY

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Message Attributes

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Draft Date: 23 DEC 1974
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Disposition Authority: shawdg
Disposition Case Number: n/a
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